

State of South Dakota

SEVENTY-SIXTH SESSION LEGISLATIVE ASSEMBLY, 2001

712E0013

SENATE BILL NO. 14

Introduced by: Senators Brosz, Diedrich (Larry), Everist, Hutmacher, McIntyre, Munson,
and Reedy and Representatives Juhnke, Brown (Richard), Heineman, and
Pummel at the request of the Interim Education Committee

1 FOR AN ACT ENTITLED, An Act to create the South Dakota teacher forgivable loan program
2 and to appropriate money therefor.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF SOUTH DAKOTA:

4 Section 1. There is hereby created the South Dakota teacher forgivable loan program to
5 provide postsecondary forgivable loans to students who plan to teach in areas of critical need.

6 Section 2. Terms used in this Act mean:

7 (1) "Area of critical need," either a geographic area or an area of teacher certification as
8 defined by the Board of Regents;

9 (2) "Board," the Board of Regents;

10 (3) "Eligible student," a full-time student who has met criteria established by the board
11 and who has been accepted at a participating state university under the control of the
12 board and enrolled in a formal course of instruction leading to qualifications necessary
13 to obtain a teaching certificate in South Dakota;

14 (4) "Forgivable loan" or "loan," a South Dakota teacher forgivable loan;

- (5) "Fund," the South Dakota teacher forgivable loan fund;
- (6) "Loan repayment credit for teaching service," forgiveness of a loan;
- (7) "Recipient" or "loan recipient," a student who receives a loan from the South Dakota teacher forgivable loan fund.

Section 3. There is hereby created, in the state treasury, the South Dakota teacher forgivable loan fund into which shall be deposited any appropriations, private donations, grants, and other funds provided to the board for forgivable loans made pursuant to this Act. Any revenue generated by loan repayments and any penalty received pursuant to this Act shall also be deposited in the fund. Any interest earned on the money in the fund shall be deposited in the fund.

Section 4. That § 13-13-73 be amended to read as follows:

13-13-73. The secretary of the Department of Education and Cultural Affairs shall compute state aid to education for each school district under the foundation program according to the following calculations:

- (1) Determine each school district's average daily membership;
- (2) Multiply the per student allocation by the adjusted average daily membership to arrive at the local need per district;
- (3) State aid is (a) local need minus local effort, or (b) zero if the calculation in (a) is a negative number;
- (4) If the state aid appropriation for the general support of education is in excess of the entitlement provided for in this section, the excess shall be used, first, to fund any shortfall of the appropriation as provided for in §§ 13-37-36 and 13-37-43, and any remaining funds not to exceed one million one hundred thousand dollars (\$1,100,000) shall be deposited into the fund created pursuant to section 3 of this Act. The

1 secretary shall report to the Governor by January seventh of each year, the amount
2 of state aid necessary to fully fund the general aid formula in the current year. If a
3 shortfall in the state aid appropriation for general education exists that cannot be
4 covered by § 13-37-45, the Governor shall inform the Legislature and provide a
5 proposal to eliminate the shortfall.

6 Section 5. The board shall administer the fund created in section 3 of this Act and make loans
7 to eligible students as funds are available.

8 Section 6. The board may retain an amount equal to five percent of the sum paid to students
9 in the form of forgivable loans to cover expenses associated with the administration of the
10 program established by this Act.

11 Section 7. The board shall designate areas of critical need. In making these designations, the
12 board may consult with the secretary of the Department of Education and Cultural Affairs,
13 statewide associations devoted to the support or governance of elementary and secondary
14 education, and the public. These designations shall be issued on a regular basis and shall be
15 reviewed on an annual basis for the purposes of continuation.

16 Section 8. The board shall establish standards for determining students eligible to receive
17 loans. The board may promulgate rules, pursuant to chapter 1-26, to process loan applications,
18 to determine a means of selecting eligible students to receive loans if applications exceed
19 available money in the fund, and to govern satisfactory progress and conditions under which an
20 eligible student may enroll for less than a full-time basis, including conditions under which a
21 student may withdraw from an institution without penalty. In establishing the standards and
22 procedures, the board may consult with the secretary of the Department of Education and
23 Cultural Affairs, and statewide associations devoted to the support or governance of elementary
24 and secondary education, and the public.

Section 9. Any student selected to receive a forgivable loan pursuant to this Act shall sign a contract agreeing to:

- (1) Complete the undergraduate elementary or secondary education requirements to become a teacher eligible for licensure in South Dakota;
- (2) Serve in an accredited elementary or secondary school in an area of critical need, as determined by the board, within one year after the completion of the student's undergraduate education and maintain that service for a period of one year for each academic semester for which the student received a forgivable loan pursuant to this Act;
- (3) Pay the amount of the forgivable loan plus interest on the amount of forgivable loan at the Category C rate of interest specified in § 54-3-16 to accrue from the time the loan proceeds were received by the student if the student does not fulfill the terms of the contract, plus attorney fees, if any, for collection of the amount owed pursuant to this section; and
- (4) Comply with the rules promulgated by the board.

Section 10. An undergraduate forgivable loan may be awarded for eight undergraduate semesters. In any academic year no loan may exceed the cost of tuition and mandatory fees for a full-time student at a state-supported university as defined by the board. The total loan made to any eligible student may not exceed an amount equal to tuition and mandatory fees paid during those eight semesters.

Section 11. No recipient of a forgivable loan is obligated to make any repayment so long as the recipient is employed in an accredited South Dakota elementary or secondary school in an area of critical need identified by the board.

Section 12. The board shall adopt repayment schedules and applicable interest rates. A

1 forgivable loan shall be repaid within ten years of completion of a program of studies or within
2 five years of the date upon which the loan recipient is no longer employed by a qualifying
3 elementary or secondary school, whichever is later. The board shall establish requirements under
4 which a student who receives the forgivable loans qualifies for forgiveness of the loan received
5 through the program. The board may allow for interruption of repayment and extension of the
6 loan repayment period for enrollment in graduate school, full-time service in a branch of the
7 United States military, or extended illness verified by a duly licensed physician.

8 Section 13. Each loan recipient may receive loan repayment credit for teaching service
9 rendered at any time during the scheduled loan repayment period. The loan repayment credit
10 shall be applicable only to the current principal and accrued interest balance that remains at the
11 time the loan repayment credit is earned. No loan recipient may be reimbursed for previous
12 payment of principal and interest.

13 Section 14. There is hereby appropriated to the board from the South Dakota teacher
14 forgivable loan fund created by section 3 of this Act the sum of one million one hundred
15 thousand dollars (\$1,100,000), or so much thereof as may be necessary, for the purposes of this
16 Act.

17 Section 15. The executive director of the board shall approve vouchers and the state auditor
18 shall draw warrants to pay expenditures authorized by this Act.

19 Section 16. The board shall annually provide the state treasurer a report listing each recipient
20 of a loan pursuant to this Act and a copy of each contract between the board and an eligible
21 student.

22 Section 17. The state treasurer is authorized and directed to assist in the collection of any
23 loan in default, as determined by the board.